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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 001244

SIPDIS

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TAGS: [ECON](#) [ENRG](#) [EINV](#) [PGOV](#) [PREL](#) [LH](#)

SUBJECT: DUTCH COURT FREES SHARES OF LITHUANIAN OIL
REFINERY BUT MORE LEGAL PROBLEMS POSSIBLE

REF: [A. VILNIUS 1224](#)
[B. VILNIUS 1186](#)
[C. THE HAGUE 3119](#)

Classified By: Classified by Economic Officer Scott Woodard for reasons
1.4 (a) and (b)

¶11. (C) SUMMARY: A Dutch court lifted restrictions November 24 on Yukos-owned shares of Lithuania's Mazeikiu Nafta oil refinery (MN). The decision appears to allow Yukos to proceed with the sale of its majority stake in MN. The larger legal battle over Yukos's holdings continues, however, and a different court case filed in the Netherlands by Western banks and Yuganskneftegaz (YNG) has the potential to cause a serious problem for the GOL. End Summary.

DUTCH COURT FREES SHARES IN MN . . .

¶12. (U) An Amsterdam court on November 24 removed the temporary injunction it had placed on Yukos's shares of MN on October 12. The court had restricted the sale or transfer of the shares in response to a lawsuit filed by the Russian firm YNG, a former Yukos subsidiary now controlled by Rosneft, against the Netherlands-registered Yukos, which is preparing to sell its stake in MN. The court's decision effectively permits Yukos to sell its majority stake in the refinery in coordination with the GOL, which can veto a buyer it opposes.

The court had placed the injunction at the request of YNG, which claims that Yukos owes it money for supplies of crude oil YNG delivered. The decision indicates that the court found that the ongoing process of liquidating Yukos's assets does not harm YNG's claims as a creditor.

. . . BUT YUKOS IS NOT YET OUT OF THE LEGAL WOODS . . .

¶13. (U) Another case in the Dutch courts may cause additional problems for Yukos and its plans for MN. This case, filed by Western Banks (including Paribas and ING), Moravel Investments (which reportedly has links to Yukos owner Mikhail Khodorkovsky), and YNG, seeks to recover debts Yukos allegedly owes. The Dutch courts will appoint on December 15 a panel of experts to determine how best to liquidate Yukos's assets to satisfy its creditors.

. . . POSSIBLY LEADING TO A NIGHTMARE SCENARIO FOR THE GOL

¶14. (SBU) This case does not affect MN shares directly. Should the court, however, decide to forcibly auction Yukos, the buyer would also obtain Yukos's assets, which include the majority stake in MN. In this case, MN would have a new owner, and the GOL would not be able to cast its veto to prevent the transfer of ownership. A potential MN buyer could obtain the refinery without the GOL's approval by obtaining Yukos's assets at auction.

GOL WARY OF RUSSIAN INTENTIONS

¶15. (C) Saulius Specius, an adviser to the Prime Minister and a member of the GOL's three-man MN negotiating team, told us on November 22 that YNG's behavior was suspect. He said that Yukos still owns assets in Russia and that Russian courts had already established YNG as a legitimate creditor, a status it does not yet enjoy in the Netherlands. Rather than pursuing the forced sale of Yukos assets in Russia, however, YNG is going after Yukos assets in the Netherlands. Specius said that it looked to him like YNG and, by default, the Russian Government, was looking for a way to acquire the Yukos corporate empire in its entirety--an empire that includes MN.

¶16. (C) Specius said that the GOL had no good options if an entity of which it does not approve bought Yukos while it still owned its majority stake in MN. He said that nationalizing the refinery was a possibility. He stressed, however, that this was not desirable, emphasizing that the GOL would need to pay a fair market value to Yukos's new owner, which could cost the GOL USD one billion or more.

¶17. (C) Specius told us on November 25, following the Dutch court's decision, that the GOL has an incentive to encourage Yukos to sell its share of MN quickly, before the other court decides to send all of Yukos (including MN) to the auction block. He warned, however, that a quick sale might not be

possible because Yukos and the GOL still needed to negotiate several issues before Yukos sells its shares.

AN ODD ADVERTISEMENT

17. (U) A full-page advertisement denouncing TNK-BP, reportedly the GOL's favored candidate to buy MN, appeared in one of Lithuania's leading newspapers on November 24. The trilingual (Lithuanian/Russian/English) advertisement, in the form of a letter from Indian Ocean Petroleum Services LTD (IOPS) to President Adamkus and Lithuania's citizens, warns Lithuania against making a hasty decision that allows TNK-BP to buy a majority stake in Mazeikiu Nafta. The letter states that the Seychelles-registered IOPS is a minority shareholder in the Saratov Refinery, part of TNK-BP's holdings. The letter alleges that TNK-BP abuses the rights of minority shareholders in this refinery and warns Lithuania to expect the same if TNK-BP buys the majority share in MN. The letter concludes by warning that TNK-BP "works counter to the rules and norms of corporate ethics" and "disregard(s) the rights of its minority shareholders."

COMMENT

18. (C) The GOL got what it wanted from the November 24 court decision, and will continue to press on with its negotiations with Yukos and the potential buyers (TNK-BP, ConocoPhillips/Lukoil, PKN Orlen, and KazMunayGaz) to find a suitable owner for MN. The rather odd advertisement will only fuel speculation here that the Russians are out to torpedo TNK-BP's bid in favor of a company more beholden to the Kremlin.

KELLY